

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11  
OMB-01 EB-08 TRSE-00 /075 W  
-----052446 080354Z /75

R 071118Z APR 78  
FM AMEMBASSY LISBON  
TO SECSTATE WASHDC 5356  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY MADRID  
AMEMBASSY MOSCOW

AMCONSUL OPORTO  
AMEMBASSY PARIS  
AMCONSUL PONTA DELGADA  
USMISSION USNATO  
DIA WASHDC  
USCINCEUR VAIHINGEN GER  
USNMR SHAPE BRUSSELS BEL  
COMUSFORAZ

C O N F I D E N T I A L SECTION 1 OF 3 LISBON 2611

E.O. 11652: XGDS-3  
TAGS: PINT PO  
SUBJECT: SA CARNEIRO AND THE PSD: AN ASSESSMENT

REF: (A) LISBON 2046 (DTG 201617Z MAR 78), (B) LISBON 1967  
(DTG 161752Z MAR 78) (NOTAL), (C) LISBON 1731  
(DTG 081750Z MAR 78) (NOTAL)

SUMMARY: THE SPLIT BETWEEN THE SOUSA FRANCO MODERATES AND  
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SA CARNEIRO CONTINUES TO WIDEN. THE PSD LEADERSHIP IS  
INTENT ON PURSUING A STRATEGY WHICH DOES NOT PRECLUDE SOME  
COOPERATION WITH THE GOVERNMENT. SA CARNEIRO, HOWEVER, IS  
DETERMINED TO FORCE PRESIDENT EANES FROM OFFICE BY  
CHALLENGING THE VERY BASIS OF THE CURRENT PORTUGUESE  
CONSTITUTIONAL SYSTEM. A SHOWDOWN BETWEEN SOUSA FRANCO ET AL AND  
SA CARNEIRO IS VIRTUALLY INEVITABLE. END SUMMARY.

1. BACKGROUND: THE FORMATION OF THE PS/CDS GOVERNMENT ALTERED THE BALANCE OF PORTUGUESE PARTY POLITICS. THE PSD FOUND ITSELF--TO THE DISMAY OF MOST OF THE CURRENT PARTY LEADERSHIP--THE ONLY DEMOCRATIC OPPOSITION VOICE IN THE ASSEMBLY. SOUSA FRANCO ET AL WERE SURPRISED NOT BECAUSE THEY THOUGHT A PS/PSD/CDS GOVERNMENT WAS A REAL POSSIBILITY, BUT BECAUSE THEY DID NOT EXPECT THE SOCIALISTS AND CENTER DEMOCRATS WOULD COME TO TERMS. THE PSD WAS NEVER REALLY INVOLVED IN THE SOARES-LED NEGOTIATIONS UNTIL THEY WERE ALMOST CONCLUDED--A CIRCUMSTANCE THAT CRIPPLED THEIR OWN POLITICAL INTELLIGENCE. SOUSA FRANCO AND THE "LISBON MODERATES" WERE WILLING TO NEGOTIATE. BUT EX-OFFICIO PARTY LEADER SA CARNEIRO CONTINUED TO CALL FROM THE WINGS FOR DIRECT PRESIDENTIAL INTERVENTION AND REJECTION OF SOARES'S AS THE PRESIDENTIALLY-SUPPORTED PARTY INTERLOCUTOR. THE SOCIAL DEMOCRATS LOST ALL AROUND. THEY NOW HAVE NO INFLUENCE ON PS/CDS GOVERNMENT POLICIES, AND REMAIN BADLY SPLIT.

2. PYRRHIC VICTORIES: THE PARTY'S MODERATE WING LED BY SOUSA FRANCO WON PUTATIVE CONTROL AT THE JANUARY CONGRESS BUT SA CARNEIRO IS ALREADY ON THE REBOUND. PERHAPS THE MOST SERIOUS CHALLENGE NOW FACING THE NEW PSD LEADERSHIP IS HOW TO REACT TO SA CARNEIRO'S REJUVENATED ANTI-PRESIDENTIAL, ANTI-REVOLUTIONARY COUNCIL, ANTI-PS, ANTI-CDS, EXTRA-PARTY AND POTENTIALLY ANTI-CONSTITUTIONAL DRIVE FOR POWER.  
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3. PSD STRATEGIES: THE PARTY STRATEGY PLANNED BY THE SOUSA FRANCO-LED POLITICAL COMMISSION IS PREDICATED ON TWO POTENTIALLY CONTRADICTORY APPROACHES: ONE PURSUED IN THE LEGISLATURE AND THE OTHER AT THE LOCAL LEVEL.  
-- IN THE ASSEMBLY, THE PARLIAMENTARY GROUP WOULD PURSUE A SELECTIVE BUT LOYAL OPPOSITION, PEPPERING THE GOVERNMENT WITH DETAILED QUESTIONS AND COUNTERPROPOSALS. PSD DEPUTY ANGELO CORREIA AND PARLIAMENTARY GROUP LEADER MAGALHAES MOTA HAVE TOLD US THAT THE SUBSTANCE OF THE GOVERNMENT RESPONSE IS OF SECONDARY IMPORTANCE. THE POINT IS TO KEEP THE GOVERNMENT ON ITS TOES AND PUBLICLY ACCOUNTABLE BY DEMONSTRATING THAT THE PSD CAN PRESENT REAL DEMOCRATIC ALTERNATIVES. HOWEVER, A STRATEGY OF FIRM BUT SELECTIVE OPPOSITION WOULD NOT--SO THE THEORY GOES--ELIMINATE THE POSSIBILITY OF THE PSD JOINING THE GOVERNMENT BEFORE 1980.

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--AT THE DISTRICT AND REGIONAL LEVEL, THE PSD WOULD  
STRESS THE "FIRM" SIDE OF THE SELECTIVE  
OPPOSITION FORMULATION. THE PARLIAMENTARY DEBATING STYLE  
WOULD BE ABANDONED, AND BOTH THE SOCIALISTS AND THE CENTER  
DEMOCRATS WOULD BE CHARGED WITH MORTGAGING THE COUNTRY'S  
FUTURE TO INTERNATIONAL MONEY MANAGERS AND A MANIFEST  
INABILITY TO RESOLVE THE ECONOMIC AND FINANCIAL CRISIS.  
THE GRASS ROOTS CAMPAIGN IS ALREADY WELL UNDER WAY. THE  
PSD HAS ATTACKED THE GOVERNMENT FOR: INDECISIVENESS IN FOREIGN  
POLICY AS A RESULT OF THE QADHAFI STATEMENTS ON MADEIRA  
AND THE AZORES; FAILURE TO IMPLEMENT AGRARIAN REFORM LEGIS-  
LATION; AN AUSTERITY PROGRAM THAT PLACES UNJUST BURDENS ON  
THE ALREADY ECONOMICALLY DISADVANTAGED; STEADY INCREASE IN  
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PUBLIC SECTOR SPENDING; AND, IMPOSING EXCESSIVE CURBS ON  
INVESTMENT WITHOUT CORRECTING THE "WORST FAULTS OF THE  
PORTUGUESE ECONOMY," I.E., THE MANAGEMENT OF THE NATIONALIZED  
SECTORS. BOTH STRATEGIES PRESUPPOSE THE PSD'S ABILITY TO FORMULATE  
AN ALTERNATIVE TO THE CURRENT PS/CDS PROGRAM. SOUSA FRANCO

AND PARLIAMENTARY GROUP LEADER MAGALHAES MOTA HAVE, HOWEVER, TOLD EMBOFFS THAT THEY ARE IN SUBSTANTIAL AGREEMENT WITH THE MOST CRUCIAL ASPECT OF THE PS/CDS PROGRAM--THE ECONOMIC PROGRAM PRESENTED TO THE ASSEMBLY BY FIANANCE MINISTER VITOR CONSTANCIO FEBRUARY 10.

4. ENTER SA CARNEIRO: WHAT FEW MODERATE PSD LEADERS SEEM TO HAVE ANTICIPATED IS THE FERVOR WITH WHICH SA CARNEIRO HAS NOW LAUNCHED HIS OWN CAMPAIGN TO FORCE EANES FROM OFFICE. IN ADDITION TO HIS ATTACKS REPORTED REFTELS, SA CARNEIRO RECENTLY PUBLISHED A COMPILATION OF HIS RECENT MAJOR PUBLIC STATEMENTS, INCLUDING THE FULL TEXT OF HIS REMARKS AT THE JANUARY OPORTO NATIONAL CONGRESS. ENTITLED "IMPASSE" AND BILLED AS AN EXPLANATION OF HIS REFUSAL TO LEAD THE PARTY IN SELECTIVE OPPOSITION, IT IS A MANIFESTO: A PLATFORM ON WHICH HE HAS ALREADY BEGUN AND WILL CONTINUE TO BUILD HIS POLITICAL FUTURE (TEXT BEING POUCHED).

5. THE MANIFESTO: SA CARNEIRO'S CAMPAIGN IS BUILT ON THE FOLLOWING ASSUMPTIONS:  
-- CDS WILLINGNESS TO JOIN THE SOARES GOVERNMENT NEGATES THE POSSIBILITY OF FORMING A PS/PSD/CDS ALTERNATIVE;  
-- PRESIDENT EANES CONTINUES TO CONFUSE HIS MILITARY AND CIVILIAN POWERS THUS PAVING THE WAY FOR "PRESIDENTIAL MILITARISM";  
-- THE CONTINUED EXISTENCE OF THE REVOLUTIONARY COUNCIL PERPETUATES THE "UNDEMOCRATIC" PARTICIPATION OF THE ARMED FORCES IN NATIONAL POLITICAL LIFE;  
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-- THE PRESIDENT'S UNWILLINGNESS TO INTERVENE IN EITHER THE FIRST CONSTITUTIONAL GOVERNMENT OR THE NEGOTIATIONS WHICH LED TO THE FORMATION OF THE PS/CDS GOVERNMENT MAKES HIM CO-RESPONSIBLE WITH PRIME MINISTER SOARES FOR THE CURRENT CRISIS WHICH THREATENS NATIONAL SOVEREIGNTY AND THE EVOLUTION OF PORTUGUESE DEMOCRACY;  
-- THE SOCIALISTS WITH PRESIDENTIAL SUPPORT HAVE COME TO A SECRET UNDERSTANDING WITH THE COMMUNISTS;  
-- THE PSD'S WILLINGNESS TO SUPPORT OR AT LEAST ABSTAIN ON CRUCIAL PS LEGISLATION DURING THE FIRST CONSTITUTIONAL GOVERNMENT CONTRIBUTED TO THE CURRENT CRISES. THAT MISTAKE MUST NOT BE REPEATED;  
-- IN THE ASSEMBLY THE PSD MUST, IN THE NATIONAL INTEREST, REFUSE TO SUPPORT THE GOVERNMENT, TO NEGOTIATE ON THE CONTENTS OF LEGISLATIVE PROPOSALS, OR TO REACH SPECIFIC OR GLOBAL AGREEMENTS OF ANY SORT;  
-- GENERAL ELECTIONS AND EARLY REVISION OF THE CONSTITUTION OFFER THE ONLY SOLUTION.

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6. PARTY LEADERSHIP ON THE DEFENSIVE: SA CARNEIRO'S TACTICS HAVE PUT SOUSA FRANCO ET AL ON THE DEFENSIVE, AND THE PSD LEADERSHIP HAS DEMONSTRATED ITS UNWILLINGNESS TO BE OUTFLANKED ON THE RIGHT. SECRETARY GENERAL SERVULO CORREIA HAS TOLD EMBOFFS THAT AN INTERNAL CAMPAIGN AGAINST SA CARNEIRO IS ALREADY UNDER WAY BUT THAT THERE IS NO LEGITIMATE WAY TO STOP THE FORMER PARTY LEADER'S CURRENT DRIVE FOR POWER. IN RESPONSE, THE SELECTIVE OPPOSITION STRATEGY HAS BEGUN TO HARDEN. SOUSA FRANCO HAS PUBLICLY ENDORSED, THEREBY HOPING TO DEEMPHASIZE, SA CARNEIRO'S CALL FOR ELECTIONS AND CONSTITUTIONAL REFORM AS THE PARTY'S LONGER-TERM PRIORITIES AND HAS WARNED AGAINST PS/CDS OVERTURES TO JOIN THE GOVERNMENT. EVEN PARLIAMENTARY GROUP  
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VICE PRESIDENT RUI MACHETE--NO FRIEND OF SA CARNEIRO'S

AND AN IMPORTANT LINK TO THE SOCIALISTS--HAS SAID IN THE ASSEMBLY THAT THE PSD WOULD NOT JOIN THE GOVERNMENT WITHOUT NEW ELECTIONS.

7. THE CHOICES: SOUSA FRANCO AND THE MODERATES WILL HAVE TO FACE OFF WITH SA CARNEIRO AND HIS SUPPORTERS SOONER OR LATER. THE CURRENT PARTY LEADERSHIP HAS OPTED FOR AN OPPOSITION STRATEGY WITHIN THE BOUNDS OF A MODIFIED PARLIAMENTARY SYSTEM, A STRATEGY WHICH DOES NOT PRECLUDE COOPERATING WITH THE PS/CDS GOVERNMENT ON SOME ISSUES AND PERHAPS JOINING THE GOVERNMENT BEFORE 1980. SA CARNEIRO HOWEVER HAS ATTACKED THE VERY STRUCTURE OF THE PORTUGUESE CONSTITUTIONAL SYSTEM. THE PS/CDS GOVERNMENT IS ABOUT TO ENTER ITS FIRST REAL SERIES OF TESTS SINCE TAKING OFFICE. AS AUSTERITY MEASURES BEGIN TO TAKE HOLD, SA CARNEIRO IS BUSY POSITIONING HIMSELF AS THE RALLYING POINT FOR THE EXTREME RIGHT. HE COULD PULL A DIVIDED PSD SHARPLY TO THE RIGHT AS WELL. IF THE PSD SPLITS, BOTH SOUSA FRANCO AND SA CARNEIRO LOSE IN THE LONG RUN AND THE CURRENT BALANCE OF POLITICAL FORCES WOULD BE ALTERED. IF THE PSD IS TRANSFORMED INTO A PARTY OF THE FAR RIGHT LED BY A NATIONAL FIGURE LIKE SA CARNEIRO, THE ABILITY OF PRESIDENT EANES AND THE GOVERNMENT TO SEE PORTUGAL THROUGH THE CURRENT CRISIS WOULD BE SERIOUSLY IMPAIRED.

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## Message Attributes

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**Decaption Date:** 01 jan 1960  
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